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BUDGET ANALYST

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fiscal Impact

Budget Analyst is providing you with additional information on Mission Bay. We previously provided our final report on the Mission Bay Development Agreement to the Board of Supervisors on October 23, 1990, addressed to the Board of Supervisors. Your request specifically concerned with the timing of the City's expenditures. The Agreement has been structured with very few individual components of the Agreement must be included. The Agreement does contain provisions dictating some general guidelines. The Agreement is required to complete 2,000 units of housing of which 1,000 must be affordable within ten years after the start date. The Agreement contains several milestones that Catellus must build a certain amount of office space or housing units each and every year that

It is difficult to make calculations on the timing of City revenues and expenses over the term of the Development Agreement. Therefore, we have made the assumption that the Mission Bay build-out period would be accomplished in equal increments in each year, with some exceptions for major capital projects. We have also assumed that residents and employees in the Mission Bay area would increase in equal numbers throughout each year of the Agreement. We acknowledge that this is only an estimate and that it is possible that the construction would occur in a more erratic fashion.

The costs to City departments that you have requested were all obtained from recent interviews with representatives from applicable departments. It is important to note that calculations for all expenditures, as well as revenues, are based on an analysis of the Mission Bay Project itself. These figures do not represent what the net revenues and costs to the City would be if the Development Agreement were approved. The eventual impact on City revenues

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ATTN: Gerry Roth
OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET ANALYST

1390 Market Street, Suite 1025, San Francisco, CA 94102 (415)554-7642

November 3, 1990

TO: Supervisor Walker
FROM: Budget Analyst
SUBJECT: Mission Bay Fiscal Impact

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As you requested, the Budget Analyst is providing you with additional information regarding Mission Bay. We previously provided our final report on Mission Bay to the Board of Supervisors on October 23, 1990, addressed to the Select Committee on Mission Bay Development. Your request specifically mentioned that you were concerned with the timing of the City's expenditures. The proposed Development Agreement has been structured with very few requirements on when the individual components of the Agreement must be completed. The Agreement does contain provisions dictating some general requirements, such as Catellus is required to complete 2,000 units of housing of which no less than 740 would be affordable within ten years after the start date. There are, however, no general milestones that Catellus must build a certain amount of office or commercial space or housing units each and every year that the Agreement is in effect.

Because of this, it is difficult to make calculations on the timing of City revenues and expenses over the term of the Development Agreement. Therefore, we have made the assumption that the Mission Bay build-out period would be accomplished in equal increments in each year, with some exceptions for major capital projects. We have also assumed that residents and employees in the Mission Bay area would increase in equal numbers throughout each year of the Agreement. We acknowledge that this is only an estimate and that it is possible that the construction would occur in a more erratic fashion.

The costs to City departments that you have requested were all obtained based on recent interviews with representatives from applicable departments. It is important to note that calculations for all expenditures, as well as revenues, are based on an analysis of the Mission Bay Project itself. These figures do not necessarily represent what the net revenues and costs to the City would be if the Development Agreement were approved. The eventual impact on City revenues

and costs would be influenced by a number of factors including to what degree the new residents and employees of Mission Bay represent net increases to existing City residents and employees.

The following are responses to your specific questions:

Question 1: In general, what is the expected tax revenues from the project, assuming a 30-year build out and what is the timing of these revenues (how much in the first five year, second five, etc.)

Tax revenues from the Mission Bay Project would come primarily from property taxes. The balance of tax revenues would come from local taxes which include utility users tax, franchise tax, real property transfer tax, parking tax, hotel room tax, sales tax, business registration and license tax, and employer's payroll tax. The assumptions used to calculate property tax revenues are considered conservative by the Assessor's Office. The estimated property, local and total tax revenues for the Mission Bay Project are as follows:

| <u>Project Period</u> | <u>Property Taxes</u> | <u>Local Taxes</u> | <u>Total Tax Revenue</u> |
|-----------------------|-----------------------|--------------------|--------------------------|
| Years 1-5 | \$11,131,054 | \$5,683,732 | \$16,814,786 |
| Years 6-10 | 32,764,814 | 16,116,563 | 48,881,377 |
| Years 11-15 | 51,245,191 | 24,208,696 | 75,453,887 |
| Years 16-20 | 70,444,006 | 31,865,323 | 102,309,329 |
| Years 21-25 | 90,556,184 | 39,620,360 | 130,176,544 |
| Years 26-30 | 111,783,648 | 47,484,050 | 159,267,698 |
| Project Total | \$367,924,897 | \$164,978,724 | \$532,903,621 |

Question 2: During that 30-year build out period, how much will the City have to pay for its required portions of Mission Bay and the cash flow of these requirements as compared with projected tax revenue as described in Q.1 above?

The City's capital costs for the project are limited to the \$2 million to be paid as 50 percent of the cost of the new police station. The City would also incur significant operating costs through the provision of services to the new residents and employees of Mission Bay. These costs have been calculated using two methods. For those departments expected to incur significant costs, representatives of those departments were contacted and estimates of the cost and the timing of those costs were developed. This method was followed for the Police Department, Fire Department, City Planning, Recreation and Park Department, Social Services Department and Municipal Railway.

For other City departments a per capita estimation method was utilized. This method determined the current cost of providing general government services to the City's residents and employees and allocated those costs based on the number of new employees and residents that would be living or working in Mission Bay. This is an appropriate method to use to estimate the magnitude of

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City department operating costs but again it should be noted that actual costs to City departments would depend on a number of factors including whether the new employees and residents represented net additions to current City residents and employees.

Your request asked the Budget Analyst to compare City costs with estimated tax revenues. The Budget Analyst notes that additional revenue sources were included in our analysis. These included licenses, fines, State and Federal subventions, charges for current services and traffic fines. These revenue estimates have been included in our estimate of Mission Bay Project revenues. We have estimated the cost of City expenditures both with and without the estimated \$150 million subsidy for the City's affordable housing program.

City Revenues and Expenditures without Housing Subsidy Costs

| <u>Project Period</u> | <u>Project Revenues</u> | <u>City Expenditures (w/o Housing Subs.)</u> | <u>Net Revenues</u> |
|-----------------------|-------------------------|--|---------------------|
| Years 1-5 | \$19,368,055 | \$13,493,105 | \$5,874,950 |
| Years 6-10 | 55,690,098 | 38,633,252 | 17,056,846 |
| Years 11-15 | 86,518,057 | 61,126,620 | 25,391,437 |
| Years 16-20 | 117,628,949 | 78,102,704 | 39,526,245 |
| Years 21-25 | 149,751,614 | 91,090,549 | 58,661,065 |
| Years 26-30 | 183,098,218 | 112,950,923 | 70,147,295 |
| Project Total | \$612,054,991 | \$395,397,153 | \$216,657,838 |

City Revenues and Expenditures with Housing Subsidy Costs

| <u>Project Period</u> | <u>Project Revenues</u> | <u>City Expenditures (inc. Housing Subs.)</u> | <u>Net Revenues</u> |
|-----------------------|-------------------------|---|---------------------|
| Years 1-5 | \$19,368,055 | \$38,493,105 | \$-19,125,050 |
| Years 6-10 | 55,690,098 | 63,633,252 | -7,943,154 |
| Years 11-15 | 86,518,057 | 86,126,620 | 391,437 |
| Years 16-20 | 117,628,949 | 103,102,704 | 14,526,245 |
| Years 21-25 | 149,751,614 | 116,090,549 | 33,661,065 |
| Years 26-30 | 183,098,218 | 137,950,923 | 45,147,295 |
| Project Total | \$612,054,991 | \$545,397,153 | \$66,657,838 |

Question 3: Catellus has agreed to pay some of the cost of the public facilities in Mission Bay (for a portion of the police station, fire station and "wetlands" for example). How much will Catellus pay for these public facilities and what is the remaining cost for each which the City will have to pay for?

The Development Agreement is structured so that Catellus or available Federal grants would pay for most of the Mission Bay infrastructure. The following table indicates the allocation of infrastructure and capital costs, fees and other payments between Catellus, the City and other sources.

| <u>Item</u> | <u>Estimated Cost</u> | <u>Catellus Dev. Corp.</u> | <u>City</u> | <u>Federal/School</u> |
|--------------------------------|-----------------------|----------------------------|--------------------|-----------------------|
| <u>Capital Items</u> | | | | |
| Basic Infrastructure | \$85,200,000 | \$54,100,000 | 0 | \$31,100,000(a) |
| Transit | 22,900,000 | 0 | 0 | 22,900,000 (b) |
| Rail Freight | 2,000,000 | 2,000,000 | 0 | 0 |
| Open Space | 31,100,000 | 31,100,000 | 0 | 0 |
| <u>Community Facilities</u> | | | | |
| Fire Station | 3,100,000 | 3,100,000 | 0 | 0 |
| Police Station | 4,000,000 | 2,000,000 | 2,000,000 | 0 |
| School | 9,000,000 | 0 | 0 | 9,000,000(c) |
| Cultural Center/Theater | 4,500,000 | 4,500,000 | 0 | 0 |
| Recreation Center | 3,300,000 | 3,300,000 | 0 | 0 |
| <u>Fees and Other Payments</u> | | | | |
| Transit Impact Dev. Fee | 24,000,000 | 24,000,000 | 0 | 0 |
| Economic Development | 12,500,000 | 12,500,000 | 0 | 0 |
| School Impact Fee | 12,600,000 | 9,300,000 | 3,300,000 | 0 |
| Child Care Program | 6,100,000 | 6,100,000 | 0 | 0 |
| Public Art Program | 5,300,000 | 5,300,000 | 0 | 0 |
| License of Port Lands | 60,000,000 | 60,000,000 | 0 | 0 |
| Land Exchange with Port | 16,500,000 | 16,500,000 | 0 | 0 |
| TOTAL | \$302,100,000 | \$233,800,000 | \$5,300,000 | \$63,000,000 |

(a) I-280 Transfer Concept Program monies and Federal Urban Aid Grants

(b) BART monies will be used for MUNI Metro construction

(c) SFUSD will be responsible for school construction. Funds are provided through City and Catellus paying school impact fee (school impact fees must be paid by developers of residential property to fund school construction). The City's \$3.3 million obligation is included in the estimated development costs for the City's affordable housing units and are, therefore, included in the City's housing subsidy costs.

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The calculation of basic infrastructure costs (\$85.2 million as noted above) is based on 1987 Department of Public Works estimates. These costs will be adjusted for inflation as the infrastructure is completed over the course of the Agreement. Catellus' community facilities obligations represent the sums stated in the Development Agreement and would also be adjusted for inflation.

Question 4: The EIR Findings document as passed by the Planning Commission states that "development of the Project will measurably increase demand for City staff...the demand for City staff for police, fire and ambulance services cannot be said to be fully mitigated". The Findings document also says the same for MUNI "service and equipment". What are the City's costs for:

a) One half of the personnel, equipment and maintenance costs for an average police station, current and projected to the year 2020? Costs for the Police Department have been budgeted assuming that the construction activity and additional residents and employees of Mission Bay would result in additional costs from the inception of the project. These costs have been calculated using an estimate developed by Economic and Policy Systems, who conducted the initial financial analysis for the City, using Fiscal Year 1987-88 budget information. The Budget Analyst has adjusted these numbers by 15 percent to reflect an approximate increase in salary costs over the previous three years. Catellus is obligated to pay half the construction costs of the new Police Station or \$2 million of the total estimated cost of \$4 million and the City is obligated to pay the other \$2 million. As shown below, all staff operating costs would be paid by the City.

| <u>Project Period</u> | <u>Police Department Operating Costs</u> |
|-----------------------|--|
| Years 1-5 | \$3,060,330 |
| Years 6-10 | 8,061,175 |
| Years 11-15 | 12,949,335 |
| Years 16-20 | 17,422,475 |
| Years 21-25 | 21,543,685 |
| Years 26-30 | 25,601,035 |
| Project Total | \$88,638,035 |

b) What are the City's personnel, equipment and maintenance costs for one average fire station, current and projected to the year 2020? Costs for the Fire Department have been estimated assuming that in Fiscal Year 2000-01 (Project year 9) one additional engine company plus one additional fire inspector would be needed and that one additional truck company would be needed in Fiscal Year 2017-18 (Project year 26). In the first eight years of the project any utilization of Fire Department resources in Mission Bay would occur with existing staff.

| <u>Project Period</u> | <u>Fire Department Costs</u> |
|-----------------------|------------------------------|
| Years 1-5 | \$0 |
| Years 6-10 | 3,014,172 |
| Years 11-15 | 7,535,430 |
| Years 16-20 | 7,535,430 |
| Years 21-25 | 7,535,430 |
| Years 26-30 | 16,471,820 |
| Project Total | \$42,092,282 |

c) What are the additional MUNI costs for personnel, equipment and maintenance current and projected to the year 2020 to service Mission Bay? Costs for MUNI were estimated from data included in MUNI's 1990-1999 Short-Range Transit Plan and Capital Improvement Program which specifically listed operating costs associated with the provision of service to the Mission Bay Area. These costs are primarily the operation of the MUNI extension and the extension of current routes.

| <u>Project Period</u> | <u>MUNI Operating Costs</u> |
|-----------------------|-----------------------------|
| Years 1-5 | \$1,254,575 |
| Years 6-10 | 6,200,570 |
| Years 11-15 | 7,105,380 |
| Years 16-20 | 7,429,189 |
| Years 21-25 | 7,196,498 |
| Years 26-30 | 6,963,808 |
| Project Total | \$36,150,020 |

d) What are the current costs, per mile, of maintaining a City street including materials and personnel cost?

As of the writing of this report, current estimates of the cost for maintaining City streets are not readily available from the Department of Public Works. Although estimates were developed by the Department of Public Works in 1988, these estimates are based on an additional six new lane miles of streets being added in Mission Bay. The maintenance costs were not included in the General Fund cost evaluation of the Mission Bay Project, as road maintenance funds would be made available from State Road Funds and State Gas Tax Street Improvement Funds. The total estimated maintenance cost in 1988 was \$55,000 per lane mile.

Question 5: On October 18th the Director of Rec and Parks stated that the projected 60 acres of new parks in Mission Bay will overburden her department resources. What are the costs to the City for maintaining the projected public parks in Mission Bay, projected to the year 2020?

The estimate of the Recreation and Park Department costs for maintaining Mission Bay's parks and open spaces is based on the material submitted by Director Mary Burns at the October 18, 1990 Mission Bay Special Committee hearing. These costs have been adjusted to reflect current staffing costs and have deleted the positions originally intended for a swimming pool which has since been removed from the project. It has been assumed that operating costs would increase by 25 percent in each of the initial three five-year periods of the Agreement with full operation costs occurring after year 15.

The estimates do not include funds for maintaining the proposed wetlands. According to Ms. Deborah Learner of the Recreation and Park Department, it has not yet been determined whether the wetlands would be managed by the Department or by a non-profit agency. Ms. Learner adds that the Department has begun the process of estimating the costs of operating the wetlands but at this time these estimates are not yet available.

| <u>Project Period</u> | <u>Recreation & Park Department Costs</u> |
|-----------------------|---|
| Years 1-5 | \$3,079,815 |
| Years 6-10 | 6,159,625 |
| Years 11-15 | 9,239,440 |
| Years 16-20 | 12,319,250 |
| Years 21-25 | 12,319,250 |
| Years 26-30 | 12,319,250 |
| Project Total | \$55,436,630 |

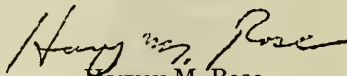
Question 6: Any other costs to the City and their possible source of funding.

Costs have also been estimated for the provision of City services to the residents and employees of Mission Bay by most other City departments. A per capita cost allocation method was used in which we estimated the current average cost of providing City services and then calculated the cost of providing a similar, average level of cost to new Mission Bay residents and employees. As the chart below shows, these costs are significant and total an estimated \$173 million over the 30 years of the Agreement.

| <u>Project Period</u> | <u>All Other City Department Costs</u> |
|-----------------------|--|
| Years 1-5 | \$6,098,385 |
| Years 6-10 | 15,197,710 |
| Years 11-15 | 24,297,035 |
| Years 16-20 | 33,396,360 |
| Years 21-25 | 42,495,685 |
| Years 26-30 | 51,595,010 |
| Project Total | \$173,080,185 |

Other costs that could be incurred by the City which are not included in the figures provided above include the City's obligation to pay 50 percent of the hazardous waste clean-up costs for the China Basin Channel and the H&H Properties. It is uncertain whether the City would have to pay such clean-up costs. To date, no estimates have been developed for these costs.

The City could also potentially face additional costs related to the City's share of affordable housing. The net cost of the City's housing subsidy has been estimated at \$150 million but this is based on the assumption that the City would receive approximately \$27 million in Federal and State grant funds for the on-site housing and \$2.25 million in State grants for the off-site housing. If these funds are not available, the City would have to pay an additional \$29.25 million.


Harvey M. Rose

cc: President Britt
Supervisor Alioto
Supervisor Gonzalez
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